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19-0563/

16 JAN 1974

MEMORANDUM FOR: Mr. Colby

SUBJECT : Role of Treasury's Office of National Security

REFERENCE : Secretary Shultz's Letter to You, Dated 26 December 1973

1. The referenced letter spells out the Secretary's perception of the intelligence role of his Office of National Security (ONS). In particular, he cites ONS's role as intermediary in supporting those members of the Council on Economic Policy (CEP) who have international economic responsibilities. Additionally, he notes ONS's identification of CEP interests in response to your draft list of KIQs.

2. Attached hereto is a preliminary reply to the Secretary, who asked for your views on the interaction of the Intelligence Community and the CEP. Once you have selected your economic NIO, discussion with the Secretary can be carried further.

3. The Secretary's letter can be read to suggest that Bill Morell is seeking support to establish ONS, which he heads, as the principal channel for intelligence support of the CEP agencies. ONS has done a number of useful things. It serves as a channel for intelligence support to Treasury itself and, from time to time, has obtained high-level economic intelligence requirements. But, you should not accept the principle that ONS will act as the primary intermediary between the Intelligence Community in general and the CIA in particular, on the one hand, and the CEP agencies, on the other hand. To do so, would ignore a number of existing channels and mechanisms that are gaining in effectiveness; e.g., the EIC and its Subcommittee on Requirements and Coordination, and the many existing relationships with senior CIA officers--particularly in OER and SAC/DDO--who have established close, direct contact with economic policymakers throughout the Government. Moreover, there is a potential conflict between the role for which Morell is seeking support and that of your soon-to-be selected economic NIO. While Morell's activities have been useful, we wish to avoid any suggestion that you endorse a concept that would deprive OER, the NIO, and DDO of direct access to senior economic policymakers, when appropriate.

4. At this writing Leo Cherne's report to PFIAB on the state of economic intelligence has been sent to the President. As soon as it is released, you will receive a copy. I am informed by the PFIAB secretariat that Cherne gives support for a rejuvenated Requirements Advisory Board (RAB), which is composed of senior officers from Treasury, CIA, State, CIEP, CEA, STR and Commerce, and chaired by the CEP Executive Director. Its original purpose was to formulate only those requirements

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whose needs would justify additional intelligence collection; and by "intelligence", John L. Hart--RAB's first executive secretary--especially meant information that is at least in part from sensitive sources, i.e., clandestine and codeword materials. On 15 May 1973 the full Board and secretariat, convening in the White House, formally approved two requirements concerning [] the Middle East. Hart left government the following month and, since then, Morell, his successor, has chosen to allow the RAB to become moribund. Instead, he has preferred to deal directly on an informal basis with most of the RAB agencies.

5. It is obvious that international economic policy is increasingly interrelated with the national security. Although Morell's current approach is useful, I nevertheless agree with Leo Cherne that there is a need for a RAB-like mechanism. As for NSCIC, by itself it cannot and should not fill the void. Not all high-level economic objectives should be brought to the attention of it or its working group. Many financial, commercial, and trade-matters would have little interest to them. Therefore, in due course, I may recommend the reestablishment of the RAB as a special NSCIC working group, with the economic NIO as its executive secretary.

6. Finally, the Secretary notes that the two CIA/OER officers who are attached to the ONS staff have been providing great assistance to the CEP members by means of daily briefings. The senior of these two may soon be returning to the Agency. In that event, the D/OER intends to offer a suitable replacement.

7. George Carver, Ed Proctor, and Maurice Ernst have read this memorandum, and are in agreement with it.

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Daniel O. Graham
D/DCI/IC

Attachment

PRG/IC [] etc (11 January 1974)

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Let's discuss reply,
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